

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Angie Grove, Deputy Legislative Auditor
Performance Audits

DATE: November 2008

CC: Janet Kelly, Director
Department of Administration

RE: Performance Audit Follow-up 09SP-06: How the State of Montana Assures
Dependent Eligibility for Health Insurance (orig. 07P-03)

ATTACHMENT: Original Performance Audit Summary

INTRODUCTION

In June 2007, we presented our performance audit of How the State of Montana Assures Dependent Eligibility for Health Insurance. The audit made two recommendations to the Department of Administration's Health Care and Benefits Division (HCBF). In October of 2008, we began gathering information from the department and HCBF on their progress in implementing the recommendations. This memo summarizes the results of our follow-up work in addition to presenting background information on the program.

Overview

The first audit recommendation focused on developing additional controls to accurately verify dependent status for health insurance for Montana State employees. The second recommendation was for the Department of Administration to conduct random audits to assure only eligible dependents are covered under the State of Montana health insurance plan. The two recommendations have been implemented.

The implementation of report recommendations has helped the Health Care Benefits Division identify ineligible dependents that are currently enrolled under the State of Montana health insurance plan. This was accomplished through an Information Sharing Agreement between the Department of Public Health and Human Services Vital Statistics and the Department of Administration Health Care Benefits Division.

BACKGROUND

Current law gives the Department of Administration (DOA) responsibility to develop health insurance policies for the State of Montana employees and their dependents. The State of Montana's health insurance program is administered by HCBd. HCBd was established in 2007 and is responsible for implementing state benefits and determining benefit eligibility of state employees. HCBd policy defines criteria for determining benefit eligibility. HCBd policy also requires employees to self-report changes in eligibility status for their dependents.

At the time of the original audit in fiscal year 2006, there were approximately 12,000 full-time state employees, 16,000 dependents and 3,000 retirees. Totaled, this equals 31,000 covered individuals under the State of Montana health insurance plan. During the original audit we found, on average, there were 100 discrepancies found every two weeks due to changes of eligibility of the members. The following are discrepancies that were found:

- ▶ Deceased dependent
- ▶ Divorced employees with ex-spouses
- ▶ Dependent children who are married
- ▶ Dependent children potentially working full-time

FOLLOW-UP AUDIT FINDINGS

The performance audit report included two recommendations to the Department of Administration. The two recommendations directed the department to focus on developing additional controls to verify dependent status, and conducting random audits to assure only eligible dependents are covered under the plan. The following summarizes information relating to follow-up audit work and the implementation status of these recommendations.

Recommendation #1

We recommend the Department of Administration develop additional controls to accurately verify dependent status.

Implementation Status – Implemented

The department has fully implemented this recommendation as of August 2007. The Department of Administration HCBd established an Information Sharing Agreement with the Department of Public Health and Human Services' Office of Vital Statistics, which is pursuant to section 39-51-505, MCA: "Upon request by the department a state official or employee shall cooperate by supplying the department with information that would aid in administration..." The Office of Vital Statistics administers the statewide vital records program. The office retains information regarding marriage, divorce, and death records. They also have records indicating the age of employee dependents. Their office receives this information from the State Human Resources Division and the Department of Justice. HCBd requested the Information Sharing Agreement so they could acquire the information needed to run an automated cross match of the data with their lists of dependents of State of Montana employees. The audits will identify if there are changes in eligibility status of dependents. Each month HCBd sends an email to the Office of Vital Statistics asking them to submit the requested data listed on the Information Sharing Agreement. If there are any matches found during an audit, the matches are resolved by the eligibility staff according to State Health Plan rules.

Recommendation #2

We recommend the Department of Administration conduct random dependent eligibility audits through data testing to assure only eligible dependents are covered under the State of Montana health insurance plan.

Implementation Status – Implemented

The department implemented this recommendation in August 2007. HCBD began extracting employee and dependent data from the State's SABHRS system and comparing it to the Montana Vital Statistics data from the Information Sharing Agreement in order to identify ineligible participants. HCBD runs data match audits once a month on:

- ▶ Deceased subscribers
- ▶ Deceased dependents
- ▶ Divorced employees
- ▶ Married dependents
- ▶ Dependent age at 25
- ▶ Double covered dependent
- ▶ Domestic partner eligibility

This information is inserted into a database created by an employee at HCBD used specifically to cross match the data to their lists of dependents. There are procedures documented in how the data HCBD receives from the Office of Vital Statistics is cross-matched with the information they pull from SABHRS. In addition, HCBD also created an Eligibility Audit Database Design Document which identifies and explains exactly how the database inputs and processes data cross matches. HCBD also furnished results and logs of data matches from these audits. The logs of the data match results were assembled in February 2008.